

Approved For Release 2002/08/16 : CIA-RDP78-01617A005800030058-9

DIA, OSD and DOS review(s) completed.

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GENERAL

1. British considering Anglo-Soviet base agreement--According to Smith, British Embassy Moscow is suggesting to the British Foreign Office that the UK might "as allies" offer to the USSR limited naval facilities at Malta, Hong Kong, and the Orkneys in exchange for similar facilities at three Soviet bases in the Black Sea, the Baltic, and the Far East. The British Embassy has also suggested that, in view of the "slight improvement" in Anglo-Soviet relations, the Foreign Office approach the Soviets on trade, commercial aviation, visas, and educational exchanges.
2. US again urges tripartite consultation on Hungary--Smith has submitted a new note to the Soviet Government reiterating the US proposal that US, UK, and USSR representatives in Hungary jointly work out a program to help the Hungarian Government in ameliorating the present economic situation. (A similar US proposal last April was refused by the Soviets who claimed that such a program was within the competence of the Hungarian Government; see Daily Summary of 24 April, item 4.) Smith told the Soviets that the US will publish its note by the end of this week.
3. Molotov "agrees" to UN information center at Moscow--UN Secretary General Lie has informed Smith of a "very cordial talk" with Molotov during which Lie asked that a UN information center be located at Moscow with facilities for broadcasting and for publishing and circulating UN documents. Molotov reportedly agreed, affirming that the UN had the Soviet Government's full support. Lie told Smith that he felt encouraged, but would not be certain until he had the signed documents in hand. (The US Military Attache in Moscow comments that Lie's visit has received less press attention than that of the British Labor Party delegation and has been pushed further into the background by the arrival of the Czech delegation.
4. Portugal to apply for admission to UN--US Ambassador Baruch has been informed that Portugal has decided to apply for admission to UN under British sponsorship. The exact time for the application has been left to the discretion of the Portuguese Foreign Office.
5. Show of US naval strength at Lisbon recommended--Baruch has recommended that the US naval force which is to visit Lisbon on 16-21 August include an aircraft carrier of the Essex class. Baruch states that the inclusion would be welcome to the Portuguese, would provide a more than favorable

Document No. 658

NO CHANGE in Class. ☐

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Class. CHANGED TO: TS S (6)

DDA Memo, 4 Apr 77

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Date: 16 MAR 1978 By: [ ]

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comparison with the recent British visit, and would be "most useful in the overall picture" during US-Portuguese talks on Atlantic security and air bases.

#### EUROPE-AFRICA

6. USSR: Soviet propaganda favors Arabs in Palestine--Smith reports that a recent lecture in Moscow by a Soviet scholar, Victor Lutski, is the first clear indication that the USSR is "sliding over" to the Arab side in the Palestine issue and away from its previous noncommittal position. Lutski's main points were (a) US-UK interest in Palestine is dictated by oil and military considerations, (b) Zionism is an imperialist tool and does not serve the Jewish masses, and (c) a large majority of Palestine's people regard it as an Arab country in which Jews already are living as citizens with full and equal rights. Smith notes that the meeting was attended by a large number of Soviet Jews, whose questions "taxed Lutski's powers of rebuttal."

Anti-US propaganda--Smith believes that Soviet emphasis during the past two months on anti-US propaganda and the attendant decrease of anti-British propaganda constitute a tactical experiment and that the fundamental aim of Soviet strategy still is to divide the US and UK.

7. RUMANIA: USSR demands increased armistice deliveries--US Political Representative Berry reports that the Soviets are believed to have secretly and peremptorily demanded that Rumania increase deliveries of iron, steel, timber, and petroleum products to the USSR. Berry adds that by 1 July official Rumanian armistice deliveries to the USSR already had reached a value of one and one half billion dollars and unofficial deliveries about half a billion.
8. YUGOSLAVIA: Italian proposals on Venezia Giulia--The Thirteenth Corps has informed AFHQ of a reliable report that the Italian Foreign Office has suggested to Yugoslavia that Italy will agree to the inclusion of Gorizia and Monfalcone in the Venezia Giulia international zone if Yugoslavia will make a similar concession regarding Istria, Pola, and part of the Trieste hinterland. Thirteenth Corps believes that the Italian proposal is supported by certain non-Communist Yugoslavs in Venezia Giulia.

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9. **IRAN: Firm reply drafted to Soviet air proposal**--The Iranian Minister of Posts and Telegraphs has told US Ambassador Allen that Iran's reply to the Soviet proposal for an air monopoly in northern Iran will state that (a) no foreign airline will be permitted to engage in "sabotage in Iran," (b) no Iranian airline can have more than 25% foreign capital, and (c) foreign employees must be limited to technicians to be replaced as soon as possible by Iranians. Allen observes that there are some indications that Qavam is feeling more able, as his new party grows stronger, to refuse additional concessions to the Tudeh Party and the USSR.

**Qashqai tribe to oppose Soviet influence in south**--The leader of the south Iranian Qashqai tribe, the most closely knit tribal unit in Iran, has informed Allen that he has decided to fight Tudeh and Soviet penetration into southern Iran with all his strength. The Qashqai will support Qavam, as long as they are convinced he is anti-Tudeh, and are now reconciled to supporting the British in spite of their fear of a British betrayal.

#### FAR EAST

10. **N.E.I.: US interests in Southern Sumatra**--Harriman has received from the British Foreign Office assurances that the interests of US companies in the N.E.I., particularly the oil companies in Palembang, are being treated in exactly the same way as those of British companies. The British are encouraged by recent reports from Southern Sumatra where local Indonesian troops are effectively controlled by an Indonesian leader who apparently is willing to work with Dutch, British and Americans to restore conditions to normal.
11. **CHINA: Terrorism in Kunming**--US Consulate General Kunming reported on 22 July that he was still affording asylum to certain Chinese who are the object of terrorists now active in the city (see Daily Summary of 18 July, item 5). The Consulate General was at the time maintaining a guard of four persons heavily armed. The Consul General, in the belief that Nanking is responsible for the present terrorism, has explicitly requested instructions.

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